



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Robert L. Morgan
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5340 telephone
(801) 359-3940 fax
(801) 538-7223 TTY
www.nr.utah.gov

January 6, 2003

Lee R. Brown
US Magnesium LLC
238 North 2200 West
Salt Lake City, Utah 84116

Dear Mr. Brown:

Re: **Final Approval of Permit Transfer, Reclamation Contract and Surety Bond Documents. US Magnesium LLC, Rowley/Stansbury Basin Mine, M/045/008, Tooele County, Utah**

Thank you for your December 20, October 31, and October 15, 2002, correspondence with attached replacement pages and maps that were provided in response to our September 23, 2002 conditional approval of the Permit Transfer from Magnesium Corporation of America to US Magnesium LLC, Reclamation Contract and surety bond. Your responses provide the required information to satisfy the Division's remaining concerns regarding the permit transfer and reclamation contract forms. We have appended these supplemental submittals to the previously submitted transfer documents to create a complete permit transfer package.

As a reminder, the Division still awaits notification that final reclamation of all the Oolitic Sands and Borrow Areas has been completed. This requirement is included under part 3 of the "Stipulation and Order Between Magnesium Corporation of America and Utah Department of Natural Resources" bankruptcy settlement agreement. It is our understanding that an updated GPS map of the disturbed areas that will require additional reclamation work is being prepared. This map(s) should clarify those areas already reclaimed and identify the remaining areas that will require supplemental reclamation work. A description of the performed (and the proposed) reclamation treatments for each disturbance should be itemized on the map (or in a supplemental table). Once the reclamation work is performed, the Division will inspect the work to confirm its adequacy, prior to releasing the remaining \$15,278 reclamation surety being retained for this purpose.

Attached for your records is a complete copy of the executed transfer documents, without the updated maps. Thank you for your cooperation in this regard. Please contact me, or Wayne Hedberg of my staff should you have further questions regarding this permitting action.

Sincerely,


Mary Ann Wright
Associate Director, Mining

jb

Attachment – permit transfer package

cc Lowell Braxton, OGM

Mike Malmquist, Counsel for U S Magnesium LLC

Steve Alder, AAG

O:\M045-Tooele\M045008-rowley-stansbury\final\finalapvl.doc

M/045/008

RECEIVED

DEC 20 2002

DIV. OF OIL, GAS & MINING



US MAGNESIUM LLC

238 North 2200 West - Salt Lake City, UT 84116-2921

801/532-2043 - 800/262-9624 - FACSIMILE 801/534-1407

December 20, 2002

Hand Delivered

Lowell Braxton

Director, Division of Oil, Gas and Mining

1594 West North Temple, Suite 1210

Salt Lake City, Utah 84114

RE Addendum to Transfer of Notice of Intention M/045/008 from Magcorp to US Magnesium

Dear Lowell,

As you know, US Magnesium hand delivered a submittal to the Division on October 15, 2002, which included revised maps, an additional map, and an explanatory letter for inclusion in the transfer application/reclamation contract package ("transfer package") the Division had conditionally approved on September 23, 2002. Following receipt of that information, Division staff contacted US Magnesium and requested that we assist them with preparation of an addendum to the transfer package that would incorporate the information submitted on October 15th. They also requested that US Magnesium provide additional information to fill in the "disturbed acreage" blank in paragraph 3 (c) of the transfer application form.

Since that time, we have been working with Division staff to fulfill their request and have agreed that the most efficient way to create an "addendum" was to revise, and to have authorized representatives of US Magnesium and the Division initial and date, the appropriate pages of the transfer package. The pages requiring revision are page 2 of the transfer application form (disturbed acreage blank), and page 7 (Attachment A) of the reclamation contract form. Attached to this letter are the revised pages, initialed by an authorized representative of US Magnesium as agreed, for review and execution by the Division.

In regard to the disturbed acreage information, we have created an additional map, titled "Solar Ponds Disturbed Area Perimeter Map, RB-904-240," which shows the perimeter of the area within which mining-related disturbance has occurred to date, and includes a total acreage figure for the area within that perimeter (approximately 51,935 acres). As we discussed with your staff, much of the area within the perimeter is comprised either of undisturbed lake bed within the dikes, or the dikes themselves, which will not be actively reclaimed except for the breaches in

Lowell Braxton
Director, Division of Oil, Gas and Mining
December 20, 2002
Page 2

the dikes illustrated in the maps (Sheets 1 and 2) included in the transfer package. The disturbed area that will be actively reclaimed is 62.4 acres, per the transfer package. A copy of the map is enclosed for attachment to the transfer package.

We are confident that with the submission of the addendum and map, we have provided all the information necessary to satisfy the conditions of your September 23rd letter conditionally approving the transfer application, and with subsequent staff requests. Feel free to call Tom Tripp, at 532-1522, Ext. 259, with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Lee R. Brown", with a long horizontal flourish extending to the right.

Lee R. Brown, Vice President
US Magnesium LLC
Enclosures



A PROFESSIONAL
LAW CORPORATION

201 South Main Street
Suite 1800
Salt Lake City, Utah
84111-2218
Post Office Box 45898
Salt Lake City, Utah
84145-0898
Telephone 801 532-1234
Facsimile 801 536-6111
E-Mail: pbl@pblutah.com

Michael J. Malmquist

Direct Dial
(801) 536-6658
E-Mail
MMalmquist@pblutah.com

September 23, 2002

BY HAND DELIVERY

Mary Ann Wright
Associate Director, Mining
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114

RECEIVED

SEP 23 2002

**DIVISION OF
OIL, GAS AND MINING**

Re: Transfer of Notice of Intention M/045/008 from Magcorp to US Magnesium

Dear Mary Ann:

On behalf of US Magnesium LLC ("US Magnesium"), enclosed are the executed originals of the transfer application (Form MR-TRL) and the accompanying reclamation contract (Form MR-RC) for the Stansbury Basin/Rowley Project (M/045/008), in connection with the transfer of the notice of intention for the Project from Magnesium Corporation of America to US Magnesium. The reclamation contract includes as surety a letter of credit issued by Wachovia Bank, N.A. (LC # SM200055W) in the amount of \$349,866.

As you know, the Division has pre-reviewed drafts of these documents and has tentatively approved the form and amount of the surety, and the transfer application and reclamation contract (subject to certain revisions to the reclamation maps which we understand the Division will specify in its approval document). Upon issuing final approval, we ask that you provide US Magnesium with copies of the executed Division signature pages for the transfer application and the reclamation contract, for inclusion in their files.

We appreciate the efforts by you and your staff in this matter. If you have any questions, please give me a call at (801) 536-6658.

Sincerely yours,

Michael J. Malmquist

Enclosures

cc: Mike Legge
Lee Brown
Tom Tripp

100461

For Division Use:
File No.: M/045/008
Effective Date: Jan 7. 2003
DOGM Lead: TM

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940

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SEP 23 2002

DIVISION OF
OIL, GAS AND MINING

**TRANSFER OF NOTICE OF INTENTION
LARGE MINING OPERATIONS**

--ooOoo--

1. (a) Notice of Intention to be transferred (file number): M/045/008
- (b) Name of mining operation: Stansbury Basin/Rowley
- (c) Location of mining operation (county): Tooele
- (d) Name, telephone number and mailing address of the operator currently holding the notice of intention (transferor):
Magnesium Corporation of America
238 North 2200 West
Salt Lake City, Utah 84116 Tel: (801) 532-2043
2. (a) Name, telephone number and mailing address of the operator acquiring the notice of intention (transferee):
US Magnesium LLC
238 North 2200 West
Salt Lake City, Utah 84116 Tel: (801) 532-2043
- (b) Name, telephone number and address of the authorized representatives of the Transferee to whom any notices under the provisions of the Utah Mined Land Reclamation Act may be sent:
Lee R. Brown, US Magnesium LLC
238 North 2200 West
Salt Lake City, Utah 84116 Tel: (801) 532-2043
3. (a) The total number of disturbed acres permitted and bonded under the approved Large Mining Notice of Intention: _____ Acres – See Attachment A to Reclamation Contract

- (b) Complete Appendix "A"(attached), a legal description of the approved and bonded disturbed acreage (include: Township(s), Range(s), and section(s), *to the 1/4, 1/4, 1/4 section*, and the county). – See Attachment A to Reclamation Contract

LRB
12/20/02

- (c) The actual number of acres disturbed by the mining operation through the date of this transfer: _____ Acres – 51,935 (Disturbed area perimeter); 62.4 acres (To be reclaimed) See Attachment A to Reclamation Contract
- (d) Attach a topographic map (labeled as Appendix "B") of suitable scale which clearly outlines the existing disturbed area boundaries through the date of this transfer (max. scale, 1 inch = 500 ft., 1 inch = 200 ft., or larger scale is preferred). Label disturbed areas as appropriate. – See Attachment A to Reclamation Contract

4. This application must be accompanied by a fully executed and signed Reclamation Contract (Form MR-RC) and an acceptable form of replacement reclamation surety.

RECEIVED

DEC 20 2002

DIV. OF OIL, GAS & MINING

STATE OF Utah)
COUNTY OF Salt Lake) ss.

SWORN STATEMENT OF TRANSFEROR

I, Lee R. Brown being first duly sworn under oath, depose and say that I am an officer of Magnesium Corporation of America and that I am duly authorized to execute and deliver the foregoing obligations; that I have read the said application and fully understand the contents thereof; that all statements contained in the transfer application are true and correct to the best of my knowledge and belief. By execution of this statement I certify that the Transferor is in full compliance with the Utah Mined Land Reclamation Act, the Rules and Regulations promulgated thereunder, and the terms and conditions of Notice of Intention No. M/045/008.

Lee R. Brown
Signature

Lee R. Brown
Name (type or print)

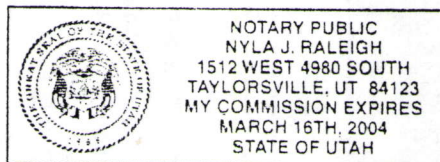
Vice President
Title

Subscribed and sworn before me this 23rd day of Sept, 2002.

Nyla J. Raleigh
Notary Public
Residing at: 1512 W 4980 S Taylorsville 84123

My commission Expires:

March 16, 2004.



STATE OF Utah)
) ss.
COUNTY OF Salt Lake)

FINAL SWORN STATEMENT OF TRANSFEREE

I, Michael H. Legge being first duly sworn under oath, depose and say that I am an officer of US Magnesium LLC and that I am duly authorized to execute and deliver the foregoing obligations; that I have read the application and fully understand the contents thereof; that all statements contained in the transfer application are true and correct to the best of my knowledge and belief. By execution of this statement, the Transferee agrees to be bound by the terms and conditions of Notice of Intention No. M/045/008, the Utah Mined Land Reclamation Act, and the Rules and Regulations promulgated thereunder.

Michael Legge
Signature

Michael Legge
Name (type or print)

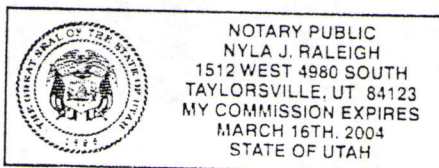
President and Chief Executive Officer
Title

Subscribed and sworn before me this 22 day of Sept, 2002.

Nyla J. Raleigh
Notary Public
Residing at: 1512 W 4980 S Taylorsville UT
84123

My commission Expires:

March 16, 2004.



CERTIFICATION OF APPROVAL

This is to certify that I have examined the foregoing application and do hereby grant approval of same, subject to the following limitations and conditions:

- (a) This large mining permit transfer grants only the right to affect the lands as described in Appendix "A" (attached).
- (b) The transferee has provided to the Division a fully executed and signed Reclamation Contract (Form MR-RC) and an acceptable form of replacement reclamation surety. The surety shall be effective on or before the date of transfer.
- (c) The transferee, or such other person as required by UCA 1953, Title 40-8, has acquired the legal right to mine said lands as described in Appendix "A".
- (4) A topographic map of suitable scale is attached (as Appendix "B") which clearly outlines and labels the existing disturbed area boundaries through the date of this transfer.

COMMENTS:

This approval is conditioned upon the receipt within 21 days (by October 15, 2002, COB), and the later approval by the Division of Oil, Gas and Mining, of the information as listed below and as fully outlined in the September 23, 2002 letter from Lowell Braxton to Lee R. Brown and Michael H. Legge:

- LRB*
09/24/02
- 1: complete legal description of the permit area;
 - 2: complete acreage of permit area; and
 - 3: complete acreage of disturbed and bonded area.

Upon receipt and approval, an addenda will be executed to the Permit Transfer and Reclamation Contract.

APPROVED: *Lowell P. Braxton*
Lowell P. Braxton, Director
Division of Oil, Gas and Mining

Effective Date: *9/23/02*
NOI No.: *m/045/008*

APPENDIX "A"

US Magnesium LLC

New Operator

Stansbury Basin/Rowley

Mine Name

M/045/008

Permit Number

Tooele

County, Utah

The legal description of the lands to be disturbed is (Township, Range and section(s) to the 1/4, 1/4, 1/4 section): See Attachment A to Reclamation Contract.

DEC 20 2002

DIV. OF OIL, GAS & MINING

ATTACHMENT "A"

US Magnesium LLC

Operator

Stansbury Basin/Rowley

Mine Name

M/045/008

Permit Number

Tooele

County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed see below acres under the approved permit and surety, as reflected on the attached map labeled see below and dated see below:

~~Two maps and an explanatory narrative indicating disturbed areas and areas to be reclaimed are attached and incorporated by reference. The maps are titled "Solar Ponds Stansbury Basin Dike System, RB-904-84 Sht. 1 Rev. 4" and "Solar Ponds Stansbury Basin Dike System, RB-904-84 Sht. 2 Rev. 0". The narrative is titled "Stansbury Basin/Rowley Project - M/045/008 Reclamation Narrative, September 2002".~~

-Addendum (In response to the Division's 9/23/02 conditional approval, US Magnesium provided additional information. Based on that information the following text was added and the above-text was stricken, and replacement attachments were referenced and incorporated into this application. The replacement text and replacement attachments comprise the Addendum.)

Two maps, an explanatory narrative ("Stansbury Basin/Rowley Project - M/045/008 Reclamation Narrative, September 2002") and an explanatory letter (Lee Brown, US Mag to Lowell Braxton, Division, 10/15/02)("Letter") indicate the disturbed area and area to be reclaimed. The maps are "US Magnesium, Solar Ponds Stansbury Dike System, RB-904-84, Sheet 1, 10/15/02 Revision ("Sheet 1"); and US Magnesium, Solar Ponds Stansbury Dike System, RB-904-84, Sheet 2, 10/15/02 Revision ("Sheet 2"). Facilities to be reclaimed or removed are numbered on Sheets 1 and 2; a list on Sheet 1 gives the square or linear footage of each such facility. The total area to be reclaimed is 62.4 acres; the Letter describes the assumptions used to calculate that area. A third map, "Solar Ponds Disturbed Area Perimeter Map, RB-904-242," shows the perimeter of the area within which disturbance has occurred to date. Total acreage within the perimeter is approximately 51,935 acres, most of which is undisturbed lake bed or dike facilities that will not be actively reclaimed, as per the Letter and Sheets 1 & 2.

Virtually all the permitted area is below the Great Salt Lake meander line where no USGS survey exists, making a standard legal description impossible. Sheets 1 and 2, and a fourth map titled "Solar Ponds Mineral Lease #18779 Acreage Map, RB-904-240, 10/15/02 Revision," indicate the numbers of the sections most closely adjoining the permitted area. This fourth map shows the total permitted area of approximately 75,021 acres. The Letter explains the assumptions used to calculate that area.

The above-referenced maps and Letter are attached and incorporated by reference.

Addendum Accepted:

Lee R. Brown 12/20/02
US Magnesium LLC

LPR 1-7-03
Division of Oil, Gas & Mining

"OPERATOR'S REGISTERED AGENT":

Name)

(Address)

(Phone)

National Corporate Research Ltd.

3200 Ea. 3900 So.

Salt Lake City, Utah

"OPERATOR'S OFFICER(S)":

Michael H. Legge, President & CEO

Lee R. Brown, Vice President

Todd R. Ogaard, Vice President & CFO

SURETY":

(Form of Surety - Attachment B)

Letter of Credit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Wachovia Bank, N.A.

LC No. SM200055W

"SURETY AMOUNT":

(Escalated Dollars)

\$349,866

"ESCALATION YEAR":

2007

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between US Magnesium LLC the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/045/008 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated June 27, 1978, and the original Reclamation Plan dated June 27, 1978. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

US Magnesium LLC
Operator Name

By Michael H. Legge
Authorized Officer (Typed or Printed)

President & CEO
Authorized Officer - Position

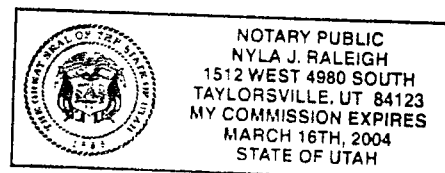
Michael Legge September 22, 2002
Officer's Signature Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 22 day of Sept, 2002, Michael H. Legge
personally appeared before me, who being by me duly sworn did say that he/she is the
President and CEO of US Magnesium and duly
acknowledged that said instrument was signed on behalf of said company by authority
of its bylaws or a resolution of its board of directors and said
Michael H. Legge duly acknowledged to me that said
company executed the same.

Nyla J. Raleigh
Notary Public
Residing at 1512 W 4980 So Taylorsville 84123

March 16 2004
My Commission Expires:



DIVISION OF OIL, GAS AND MINING:

This approval is conditioned upon the receipt within 21 days (by October 15, 2002, COB), and the later approval by the Division of Oil, Gas and Mining, of the information as listed below and as fully outlined in the September 23, 2002 letter from Lowell P. Braxton to Lee R. Brown and Michael H. Legge:

LRB
09/24/02

- 1: complete legal description of the permit area;
- 2: complete acreage of permit area; and
- 3: complete acreage of disturbed and bonded area.

Upon receipt and approval, an addenda will be executed to the Permit Transfer and Reclamation Contract.

By *Lowell P Braxton*
Lowell P. Braxton, Director

9/23/02
Date

STATE OF *Utah*)
COUNTY OF *Salt Lake*) ss:

On the *23rd* day of *September*, 2002, *Lowell P Braxton* personally appeared before me, who being duly sworn did say that ~~he~~*she*, the said *Lowell P Braxton* is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and ~~he~~*she* duly acknowledged to me that ~~he~~*she* executed the foregoing document by authority of law on behalf of the State of Utah.



Joelle Burns
Notary Public
Residing at: *Salt Lake City*

April 4, 2005
My Commission Expires:

ATTACHMENT "A"

RECEIVED

DEC 26 2002

DIV. OF OIL, GAS & MINING

US Magnesium LLC
OperatorStansbury Basin/Rowley
Mine NameM/045/008
Permit Number

Tooele County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed see below acres under the approved permit and surety, as reflected on the attached map labeled see below and dated see below:

~~Two maps and an explanatory narrative indicating disturbed areas and areas to be reclaimed are attached and incorporated by reference. The maps are titled "Solar Ponds Stansbury Basin Dike System, RB-904-84 Sht. 1 Rev. 4" and "Solar Ponds Stansbury Basin Dike System, RB-904-84 Sht. 2 Rev. 0". The narrative is titled "Stansbury Basin/Rowley Project - M/045/008 Reclamation Narrative, September 2002".~~

~~**Addendum** (In response to the Division's 9/23/02 conditional approval, US Magnesium provided additional information. Based on that information the following text was added and the above-text was stricken, and replacement attachments were referenced and incorporated into this application. The replacement text and replacement attachments comprise the Addendum.)~~

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Virtually all the permitted area is below the Great Salt Lake meander line where no USGS survey exists, making a standard legal description impossible. Sheets 1 and 2, and a fourth map titled "Solar Ponds Mineral Lease #18779 Acreage Map, RB-904-240, 10/15/02 Revision," indicate the numbers of the sections most closely adjoining the permitted area. This fourth map shows the total permitted area of approximately 75,021 acres. The Letter explains the assumptions used to calculate that area.

The above-referenced maps and Letter are attached and incorporated by reference.

Addendum Accepted:

Lee Brown 12/20/02
US Magnesium LLC

LPS 1-7-03
Division of Oil, Gas & Mining

100475

Stansbury Basin/Rowley Project – M/045/008

Reclamation Narrative

September 2002

This document summarizes in narrative form US Magnesium's reclamation obligations at its Stansbury Basin/Rowley magnesium mining operation. These obligations are the basis for the \$349,866 reclamation cost estimate and the corresponding surety recently posted by US Magnesium with the Division of Oil, Gas and Mining ("Division") for this operation.

The sources of these reclamation obligations are the Utah Mined Land Reclamation Act; the June 13, 2002 Letter Agreement between the Division and Magnesium Corporation of America (US Magnesium's predecessor); and the Stipulation and Order Between Magnesium Corporation of America and Utah Department of Natural Resources Regarding, Among Other Things, Assignment of Executory Contracts (6/17/2002, U.S. Bankruptcy Court, S.D.N.Y.) Copies of the Letter Agreement and the Stipulation and Order are attached.

This narrative is based upon, and provides additional explanation of, the two reclamation maps prepared by US Magnesium for the Division ("Solar Ponds Stansbury Basin Dike System, RB-904-84 Sht. 1 Rev. 4" and "Solar Ponds Stansbury Basin Dike System, RB-904-84 Sht. 2 Rev. 0, both dated 9/12/02)("Maps") and the June 12, 2002 "Principles of the Magcorp Estimate" ("Principles") and attached spreadsheet ("Bond Estimate, 2002, Rowley Facility")("Spreadsheet"). Copies of these documents are attached. Where appropriate, the narrative is keyed to these documents. This narrative also reflects agreements and clarifications reached between US Magnesium and the Division at a July 9, 2002 meeting.

Oolitic Sands and Borrow Areas (Principles # 1 & 2; Spreadsheet C.)

These areas and their reclamation are not addressed in this narrative or the Maps, and are not included in the reclamation cost estimate or the new surety, consistent with the Principles and the Spreadsheet. Instead, portions of these areas that require additional reclamation are being reclaimed now, with Division oversight, and are covered by the existing \$15,278 bond.

Dikes and Ponds (Principles # 3,4,5,6,8; Spreadsheet A.1.f, g. & i. and B.1.c. – j.)

Reclamation of the dikes and associated ponds will be limited to breaching the dikes at specified locations as indicated on the Maps, and to regrading the Small Canal Dike located at the west end of the East West Dike. Breaching will consist either of removing or leaving open existing flow control structures, or excavation of an opening in the dike at those breach locations where no flow control structures currently exist. Flow control structure breaches are shown on the Maps in yellow, and excavation breaches are shown by a black breach symbol, as indicated in the map legend.

The Holding Pond near the plant site will be reclaimed by knocking down and spreading the berms that form the pond.

Canals (Spreadsheet B.1.a & .b)

Reclamation of canals will be limited to the Freshwater Canal and the P-11 Canal. These canals will be reclaimed by using a dozer to fill and compact the canal channel with material that was excavated at the time of canal construction

Brine Transfer Pipeline (Principles # 7)

This buried pipeline will be left in place. It will be reclaimed by pouring concrete plugs at both ends of the pipeline.

Brine Inlet Canal (Principles # 9)

The Brine Inlet Canal has been labeled on the Maps. It is a useful feature, providing the only practical boat access to the Great Salt Lake in this area for brine shrimpers and others, and it is located below the Lake's meander line, and accordingly will not be reclaimed.

Roads (Principles # 4; Spreadsheet A.3.a.)

Sections of access road that do not also serve as dikes will be leveled, unless an agreement is reached with the County or another governmental agency to assume responsibility for such roads. Sections to be leveled are indicated in green on the Maps.

Pump Stations, Buildings and other Ancillary Structures (Spreadsheet A.1.a - .e & .h and A.3.b - .c)

The pumps, shop building, generator building, pads, and other structures located at Pump Station No. 1 will be removed and the area leveled. These structures are illustrated and labeled on an inset to the Maps (top of Sheet 1). The 1600' diameter steel reservoir just south of Pump Station No. 1 will also be removed.

All other pump stations shown on the Maps will be reclaimed by removing the pumps, the pump housing structure, and any associated structures.

Plant Site

Reclamation of the plant site is not currently planned, and is not addressed in the Maps, the Principles or the Spreadsheet, or the new reclamation surety. The issue of whether reclamation of part or all of the plant site falls under the Utah Mined Land Reclamation Act will be revisited as part of the five-year review in 2007.

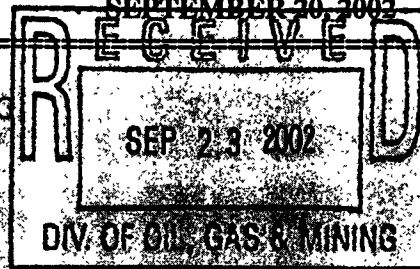
Attachments

LETTER OF CREDIT IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER SM200055W

LETTER OF CREDIT AMOUNT	ISSUE DATE	EXPIRY DATE
USD 349,866.00	SEPTEMBER 20, 2002	SEPTEMBER 23, 2003

BENEFICIARY:

UTAH DIVISION OF OIL, GAS & MINING
 ATTN: WAYNE HEDBERG
 1594 W. NORTH TEMPLE STE. 1210
 SALT LAKE CITY, UT 84114-5801

**APPLICANT:**

US MAGNESIUM LLC
 238 N. 2200 WEST
 SALT LAKE CITY, UT 84116

GENTLEMEN:

1. WACHOVIA BANK, NATIONAL ASSOCIATION, ("BANK"), OF WINSTON-SALEM, NC 27101, HEREBY ESTABLISHES THIS IRREVOCABLE LETTER OF CREDIT (THE "LETTER OF CREDIT") IN FAVOR OF THE UTAH DIVISION OF OIL, GAS AND MINING ("DIVISION") FOR ITSELF AND AS AGENT FOR THE UTAH DIVISION OF FORESTRY, FIRE AND STATE LANDS & U.S.D.I. BUREAU OF LAND MANAGEMENT (COLLECTIVELY, THE "BENEFICIARIES") FOR AN AGGREGATE AMOUNT NOT TO EXCEED \$349,866.00 IN UNITED STATES DOLLARS ("FACE AMOUNT") EFFECTIVE IMMEDIATELY.
2. THIS LETTER OF CREDIT WILL EXPIRE UPON THE FIRST EVENT SET FORTH AS FOLLOWS: (A) 3:00 O'CLOCK P.M. (SALT LAKE CITY TIME) (5:00 O'CLOCK P.M. NORTH CAROLINA TIME) ON SEPTEMBER 23, 2003 OR (B) THE DATE UPON WHICH SUFFICIENT DOCUMENTS ARE EXECUTED BY THE DIVISION TO RELEASE US MAGNESIUM ("OPERATOR") FROM FURTHER LIABILITY FOR RECLAMATION OF THE STANSBURY/ROWLEY BASIN PROJECT, M/045/008 WITH NOTICE TO BANK BY THE DIVISION ACCOMPANIED BY THE ORIGINAL LETTER OF CREDIT WITH DIRECTIONS FOR CANCELLATION.
3. THIS LETTER OF CREDIT WILL BE AUTOMATICALLY EXTENDED FOR SUCCESSIVE PERIODS OF ONE YEAR FROM THE CURRENT OR ANY FUTURE EXPIRATION DATE UNLESS THE BANK GIVES NOTICE TO THE DIVISION 90 DAYS PRIOR TO THE EXPIRATION DATE THAT THE BANK ELECTS NOT TO RENEW THE LETTER OF CREDIT.
4. FUNDS UNDER THE LETTER OF CREDIT ARE AVAILABLE AGAINST THE DIVISION'S SIGHT DRAFT, IN THE FORM OF EXHIBIT A, SPECIFYING LETTER OF CREDIT NO. SM200055W DELIVERED TO THE OFFICE OF THE BANK, 401 LINDEN STREET, WINSTON-SALEM, NC 27101. AT THE DIVISION'S SOLE ELECTION, THE DIVISION MAY PRESENT SIGHT DRAFTS FOR LESS THAN THE FACE AMOUNT SO LONG AS THE AGGREGATE AMOUNT OF ALL SIGHT DRAFTS DOES NOT EXCEED THE FACE AMOUNT. EACH DRAFT MUST BE ACCOMPANIED BY A CERTIFICATE IN THE FORM OF EXHIBIT B, SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF THE DIVISION.
5. IF THE BANK RECEIVES THE DIVISION'S SIGHT DRAFT(S) AND CERTIFICATE(S) AS PROVIDED IN PARAGRAPH NO. 4 ABOVE ON OR BEFORE THE EXPIRATION OR TERMINATION OF THE LETTER OF CREDIT, THE BANK WILL MAKE SUCH AMOUNT AS THE DIVISION MAY SPECIFY, WITHIN THE LIMITS OF THE SECOND SENTENCE OF PARAGRAPH NO. 4 OF THIS LETTER OF CREDIT, AVAILABLE TO THE DIVISION NO LATER THAN THE CLOSE OF BUSINESS, SALT LAKE CITY TIME, ON THE SECOND BUSINESS DAY FOLLOWING THE BANK'S RECEIPT OF THE SIGHT DRAFT AND CERTIFICATE AND IN SUCH A MANNER AS THE DIVISION MAY SPECIFY.

CONTINUED ON NEXT PAGE WHICH FORMS AN INTEGRAL PART OF THIS LETTER OF CREDIT

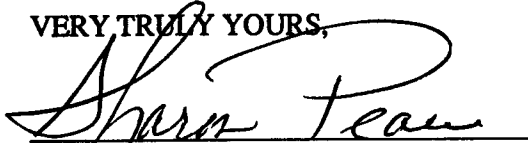
100478

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER SM200055W

PAGE 2 OF 2

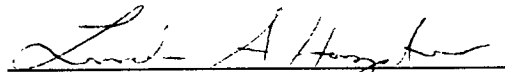
6. THE LETTER OF CREDIT WILL BE GOVERNED BY THE LAWS OF THE STATE OF UTAH AND SHALL BE SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICES FOR DOCUMENTARY CREDIT, 1993 REVISION, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 500 AS THE SAME MAY BE AMENDED AND IN EFFECT FROM TIME TO TIME ("UCP"). IN THE EVENT OF A CONFLICT BETWEEN UTAH LAW AND THE UCP, UTAH LAW SHALL GOVERN.
7. ALL COMMUNICATIONS REGARDING THIS LETTER OF CREDIT WILL BE ADDRESSED TO THE BANK, 401 LINDEN STREET, WINSTON-SALEM, NC 27101, REFERENCING LETTER OF CREDIT NO. SM200055W.

VERY TRULY YOURS,



THE BANK

BY: SHARON PEACE



AUTHORIZED SIGNATURE

TITLE: Operations Officer

WND

100479

EXHIBIT A - SIGHT DRAFT

**TO
LETTER OF CREDIT NUMBER SM200055W**

DATE

CITY, COUNTY

LETTER OF CREDIT NO.

PAY TO THE ORDER OF: UTAH DIVISION OF OIL, GAS AND MINING

DOLLARS

**TO: WACHOVIA BANK, NATIONAL ASSOCIATION
401 LINDEN STREET
WINSTON-SALEM, NC 27101**

**UTAH DIVISION OF OIL, GAS AND MINING
1594 WEST NORTH TEMPLE, SUITE 1210
BOX 145801
SALT LAKE CITY, UT 84114-5801**

**BY: _____
AUTHORIZED SIGNATURE**

EXHIBIT B
TO
LETTER OF CREDIT NUMBER SM200055W

I, _____ A DULY AUTHORIZED REPRESENTATIVE OF THE UTAH DIVISION OF OIL, GAS AND MINING, HEREBY CERTIFY THAT (1) THE DRAWING IN THE AMOUNT OF _____, BY SIGHT DRAFT ACCOMPANYING THIS CERTIFICATE, UNDER LETTER OF CREDIT NO. SM200055W DATED SEPTEMBER 20, 2002 ISSUED BY YOU IS PERMITTED UNDER THE PROVISION OF THE LETTER OF CREDIT, (2) THE LETTER OF CREDIT HAS NEITHER EXPIRED NOR TERMINATED PURSUANT TO ITS TERMS, (3) THE AMOUNT OF THE SIGHT DRAFT, TOGETHER WITH ANY AMOUNTS PREVIOUSLY DRAWN UNDER THE LETTER OF CREDIT, DOES NOT EXCEED THE FACE AMOUNT, AND (4) THE UTAH BOARD OF OIL, GAS AND MINING, AFTER NOTICE AND HEARING, HAS ENTERED AN ORDER WHICH HAS NOT BEEN STAYED, ORDERING FORFEITURE OF THE LETTER OF CREDIT NO. SM200055W, IN ACCORDANCE WITH APPLICABLE LAW. PROCEEDS OF THE DRAWING WILL BE UTILIZED IN FULL TO PAY THE EXPENSES RELATING TO THE RECLAMATION LIABILITY, TOGETHER WITH THE COSTS OF COLLECTION, INCLUDING ATTORNEYS FEES, FOR THE _____(MINE), _____(MINE PERMIT #).

THE UTAH DIVISION OF OIL, GAS AND MINING

BY: _____
AUTHORIZED SIGNATURE

DATE _____

100481



MAGNESIUM CORPORATION OF AMERICA

238 North 2200 West - Salt Lake City, UT 84116-2921

801/532-2043 - FACSIMILE 801/534-1407

E-mail: lbrown@magnesiumcorp.com

RECEIVED

JUN 13 2002

**DIVISION OF
OIL, GAS AND MINING**

Hand Delivered

Lowell P. Braxton, Division Director
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

Re: Division Order, Magnesium Corporation of America, Rowley/Stansbury Basin Municipal Project, M/045/008

Dear Mr. Braxton:

In response to the Division Order dated May 31, 2002 and subsequent meetings on the subject, Magcorp has submitted volumes of material in response to previous Division requests and is hand delivering today the requested maps to scale identifying changes in the mine site which have occurred since the reclamation plan was submitted in 1979, transferred from NL Industries to Amax in 1982, and again transferred from Amax Magnesium to Magcorp in 1990. Magcorp has responded to the best of it's ability to the previous requests for information and hopefully by hand delivering additional information today, along with Magcorp's estimate of reclamation costs and supporting materials, we can agree on a plan and reclamation bond amount which will satisfy the Division and allow the sale of Magcorp's assets to US Magnesium to go forward.

As you will note, Magcorp's proposed estimate of reclamation is consistent with the Division's longstanding interpretation that the plant area is not within Division jurisdiction; that only the oolitic sand mining sites and those solar pond structures that are safety factors above the meander line of the Great Salt Lake are subject to full reclamation; and that pond structures below the meander line will be left essentially intact due to the important flood protection, public access and other public purposes they serve, and because the area was originally lakebed, and would readily revert back to lakebed, with only minimal breaching or flow control measures at the dikes and levees. The plan principles and bond estimate of \$349,866 is submitted with the understanding the bond will be fixed in that amount for at least five years, at which time it will be subject to review in accordance with the Division policy.

I look forward to the Division's concurrence in the bond amount for Rowley/Stansbury Basin operation, and to quickly and successfully completing the transfer of the notice of intention for the operation from Magcorp to US Magnesium.

Sincerely,

Lee R. Brown
Vice President,
Magnesium Corporation of America

Cc: Mike Malmquist
TJ Rudman
Joe Smolinsky
M. Guss
Dennis Sadlowski
M. Legge
R. Thayer
T. Ogaard

472714.1

*Terms of this letter in conjunction
with the June 12 "Principles of
Magcorp Estimate" dated 6-12-02
and the 3 page "Bond Estimate
2002 Rowley Facility" are accepted
L. P. Braxton 6-13-02*

100482

RECEIVED

JUN 12 2002

DIVISION OF
OIL, GAS AND MINING

Principles Of the Magcorp Estimate:

June 12, 2002

Tom Tripp

1. Magcorp has ceased oolitic sand mining activities (six years ago). No further activity is expected. The mineral claims have been relinquished. The areas are reclaimed and revegetated with minor exceptions. Rather than unnecessarily including this task as a bonding activity, set a schedule and direct Magcorp to finish the activity.
2. "Borrow Arcas" have been inactive for the last 16 years. Div of Oil, Gas, and Mining no longer bond sand and gravel pits. Rather than unnecessarily include this item as a bonding activity, set a schedule and finish the activity.
3. The 1979 reclamation plan says that areas need to be reclaimed to **"past and present probable land uses"**. The Stansbury Basin is likely the finest solar pond facility in the world. The dikes and canals of the facility were constructed at a cost of multiple tens of millions of dollars. It seems inconceivable the "probable present use" would be anything other than solar ponding. The reclamation plan only says, **"levies and dikes will be breached, allowing solar pond area to revert to lake bed."** Consequently the reclamation activities in the solar ponds should be limited to only restoring natural drainage rather than general destruction of the ponds.
4. The State of Utah is currently issuing access permits for brine shrimping operations to use the North Dike (12 miles) of Stansbury Basin solar ponds. To plan the destruction of a program where the State is issuing long term access permits is foolish and unnecessary. Magcorp proposes leaving the existing control structures open to allow free flow of water should a reclamation activity be necessary.
5. The dike structure on the North side of the "2 Ponds" was installed with public money participation in 1987. The dike can serve as a means of protecting roads, wildlife refuges and other facilities. Rather than breach the structure in multiple locations there is currently an adequate drain through the structure that will serve to restore natural drainage, but also rapid closure should the need arise.
6. Removal of various control structure will general allow natural drainage of water through the internal dikes of the solar ponds. Only a few additional breccches would be necessary. The reclamation will come as a result of wave action not from flow through breeches
7. The pipeline for transferring brine to the plant site is buried and doesn't require reclamation.

100483

8. The West Canal including the dikes are necessary for the routine passage run off water from Skull Valley. Destruction of the canal prior to substantial dissipation of salt floors in the solar ponds may cause damage to railroads, roads, and other operations. Such a canal is necessary for the future use of the basin for solar ponding and consequently should be left. (See item 3 above)
9. The five mile long brine inlet canal located on the West end of the North Dike provides the only reasonable boat launching site on the West side of the Great Salt Lake. It has been used by government agency for various survey purposes. Because of it's location, it can serve as a boat access to a lake surface elevation of about 4196 MSL (allowing three feet of depth) The canal is in the bed of the lake on a mud flat that allows no surface vehicle travel and is bounded by borrow spoils. Between it's original construction and 1992 it filled with sediment and had to be restored. It can be expected to self-reclaim rapidly. It is an unnecessary addition the reclamation estimate.

BOND ESTIMATE, 2002
ROWLEY FACILITY

Operation	Quantity	unit costs	Extended costs
A. CLEAN-UP			
1. Removal of structures & equipment			
a. Shop	3200sq ft	\$3.00	\$9,600.00
b. generator bldg	1	\$1,500.00	\$1,500.00
c. P-10 pump building	1	\$3,000.00	\$3,000.00
d. steel structures @ pump stations	11	\$10,000.00	\$110,000.00
e. metal flumes	2	\$2,400.00	\$4,800.00
f. concrete gates	8	\$1,250.00	\$10,000.00
g. bridges	2	\$1,000.00	\$2,000.00
h. tanks	4	\$1,325.00	\$5,300.00
i. Wooden control gates	2	\$1,250.00	\$2,500.00
subtotal			\$148,700.00
2. Removal of trash			
a. East road	1	\$1,600.00	\$1,600.00
3. Leveling of ancillary facilities, pads, & access roads			
a. roads	11.3 acres	\$2,000.00	\$22,600.00
b. concrete pads at south pump station	86 cu yd	\$100.00	\$9,600.00
c. asphalt pad at south pump station	12000sqft	\$1.00	\$12,000.00
subtotal			\$45,800.00
B. REGRADING & RECONTOURING			
1. Earthwork, including hauling & grading of spoils, waste, & overburdens			
a. fresh water canal D8	200000cu yd	\$0.10	\$20,000.00
b. p-11 canal- D8	84000 cu yd	\$0.10	\$8,400.00
c. remove culvert - north dike	1	\$3,000.00	\$3,000.00
d. breach pond 2W	2	\$500.00	\$1,000.00
e. breach pond 3 center, south dike	2	\$500.00	\$1,000.00
f. breach main road	2	\$750.00	\$1,500.00
g. breach EW dike	1	\$1,000.00	\$1,000.00
h. small canal dike west of EW dike-D4LGP	10000 cu yds	\$0.55	\$5,500.00
i. Intermediate pond gate	1	\$4,000.00	\$4,000.00
j. holding ponds	200000 cu yd	\$0.10	\$20,000.00
subtotal			\$41,400.00
2. Recontouring & Regrading			
a. oolitic sand area, North of plant	no	bond	
3. Spreading of soil & surficial materials			
a. oolitic area	no	bond	
C. STABILIZATION			
1. Soil preparation, scarification, fertilization, etc.			
2. Seeding & planting			
3. Construction of terraces, waterbars, etc	none		
D. LABOR			

BOND ESTIMATE, 2002
ROWLEY FACILITY

1. Supervision	60 days	\$386.00	\$23,160.00	
2. Labor exclusive of bulldozer use				
a. refueler/oiler/lube with truck & supplies	60 days	\$800.00	\$48,000.00	
b. transportation of equipment	10 days	\$600.00	\$6,000.00	
c. mobilization			\$5,000.00	
subtotal			\$82,160.00	
E. SAFETY				
1. Erection of fences, portel covering, etc.				
2. removal or neutralization of explosive or hazardous materials				
F. MONITORING				
1. Continous or periodic monitoring, sampling & testing deemed necessary				
G. OTHER				
1. Bond for life of 5 years			\$318,060.00	
2. Contingency @ 10%			\$31,806.00	
TOTAL			\$349,866.00	

Magcorp's Revisions		Units	Unit Cost	Cost
			\$/ea estimate	
1	Oolitic Sand Mining	0 Acres	1500	0
2	Main Plant Site	25 Acres	0	0
3	Plant Operations Area	100 Acres	0	0
4	Holding Ponds	14 Acres	2000	28000
5	Borrow Areas	0 Acres	2500	0
6	Canal along West Dike	0 Miles	8448	0
7	West Exterior Dike	0 Miles	4382	0
8	Interior Dikes	39.25 Miles	1000	13400
9	Roads & Foundations	11.3 Acres	4587	45800
10	Pump Stations, Structures, etc.	32 Ea	4697	148700
11	Pipe Line	0 Miles	5280	0
12	Brine Canal	0 Miles	8448	0
13	Other (Supervision, Equipment, fuel, etc)			82160
	Total			318060
Notes:				
1	Oolitic sand reclamation essentially completed			
2	Should be eliminated by smelting exemption in the regulations			
3	Should be eliminated by smelting exemption in the regulations			
4				
5	Reclamation in old burrow areas is essentially completed.			
	Reclamation boding is no longer the practice with the Div. Of Oil, Gas, and Mining			
6	The work is an unwise choice and can be generally excluded by probable present use.			
7	This dike is the same as the canal in the previous item			
8	Most necessary breaches will occur as the result of the removal of structures			
9	BLM Estimate for re-vegetation of ripped roads is \$15,000/acre; laying sod in Tooele County is 10,900/acre			
10	Units averaged from detailed estimate			
11	Buried - Reclamation is unnecessary			
12	Significant alternate use			
13	Estimate of other costs for reclamation			

100488

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	Chapter 11
	:	
MAGNESIUM CORPORATION	:	Case No. 01-14312 (REG)
OF AMERICA, <u>et al.</u> ,	:	
	:	
Debtors.	:	(Jointly Administered)

STIPULATION AND ORDER BETWEEN MAGNESIUM
CORPORATION OF AMERICA AND UTAH DEPARTMENT
OF NATURAL RESOURCES REGARDING, AMONG OTHER
THINGS, ASSIGNMENT OF EXECUTORY CONTRACTS

WHEREAS, on August 2, 2001 (the "Petition Date"), Renco Metals, Inc. ("Metals") and its wholly owned subsidiary, Magnesium Corporation of America ("Magcorp"), filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Court");

WHEREAS, by Order of the Court, dated June 5, 2002, the Court authorized the sale (the "Sale") of substantially all the assets to US Magnesium LLC ("US Mag");

WHEREAS, the Sale is currently scheduled to close on or about June 18, 2002;

WHEREAS, the Sale requires the transfer of various leases and permits (collectively, the "Executory Contracts") to which the State of Utah, including its Department of Natural Resources, Division of Forestry, Fire and State Lands, Division of

Oil, Gas and Mining, and its State School and Institutional Trust Lands Administration ("Utah") is either a party or a grantor;

WHEREAS, Utah objected to the proposed sale, including on the grounds that (i) Magcorp's proposed cure amounts under the Executory Contracts were incorrect and did not take into account an additional reclamation bond, and (ii) US Mag had not provided adequate assurance of future performance (the "Objections");

WHEREAS, the Court has scheduled a hearing for Monday, June 17, 2002 to resolve the Objections; and

WHEREAS, the parties have resolved the Objections under the terms and conditions hereof.

NOW, THEREFORE, it is hereby stipulated and agreed as follows:

1. Utah hereby stipulates to the assignment of Mineral Lease ML 18779 from MagCorp to US Mag. Utah shall promptly formalize its approval upon receipt of a standard assignment form executed by Magcorp and US Mag in connection with the closing of the Sale.

2. US Mag agrees to pay at closing, in full and complete satisfaction of all defaults existing under the Executory Contracts the sum of \$62,080 in cash (the "Cure Amount").

3. Utah hereby stipulates to the transfer of Approved Notice of Intention M/045/008 (the "Approved Notice of Intention") from Magcorp to US Mag, subject to a requirement that US Mag post a reclamation surety in the amount of \$349,866, which amount shall be fixed for a period of at least five years at which time the surety will be subject to review by Utah in accordance with Division of Oil Gas and Mining policy. This surety shall replace the current surety of \$15,278 (the "Pre-transfer Surety"). Utah shall promptly formalize its approval of the transfer upon receipt of a standard transfer form executed by Magcorp and US Mag in connection with the closing of the Sale, subject to and effective upon posting of reclamation surety as set forth herein. US Mag shall be allowed a reasonable period following closing, not to exceed 90 days, in which to post the surety. Immediately upon posting the surety and upon final inspection and certification that reclamation of all Oolitic Sands and Borrow Areas has been completed in accordance with applicable laws and regulations, the Pre-transfer Surety will be cancelled and released and Utah will deliver to US Mag any collateral held by Utah securing Magcorp's obligations under the Pre-transfer Surety"). US Mag is hereby authorized to operate the Rowley/Stansbury Pond mining operation during the period, if any, between the closing of the Sale and the formalization of Utah's transfer approval and the posting by US Mag of the surety, not to exceed ninety days from closing.

4. It is hereby agreed to by the parties that Mineral Lease ML 45786 (the "Oolitic Sands Lease") terminated by its terms prior to the Petition Date. Utah further acknowledges that it has no claims against Magcorp under the Oolitic Sands Lease that would constitute an administrative expense claim against the Debtors' estates.

Notwithstanding the foregoing, Utah reserved its rights to file a prepetition general unsecured claim against the Debtors arising from or related to the Oolitic Sands Lease and the Debtors reserve all of their respective rights with respect to any such claim.

5. In consideration of the agreements of the parties set forth in this Stipulation and Order, Utah hereby withdraws its Objections.

6. In furtherance of this Stipulation and Order, Utah agrees to use reasonable efforts to assist Magcorp and US Mag in assigning or transferring those Executory Contracts which US Mag designates for transfer.

7. This Stipulation and Order may be executed in counterparts and may be modified only in writing by all parties hereto.

8. This Stipulation and Order and the agreement of the parties as set forth herein is subject to approval by the Court and nothing in this Stipulation and Order shall be binding upon or used against either of the parties in the event the Stipulation is not so approved.

Dated: June 17, 2002

CHADBOURNE & PARKE LLP

By: /s/ Joseph H. Smolinsky
Joseph H. Smolinsky (JS-8408)

30 Rockefeller Plaza
New York, NY 10112
(212) 408-5100

Attorneys for Debtors and Debtors
in Possession

CADWALADER WICKERSHAM & TAFT

By: /s/ Barry N. Seidel
Barry N. Seidel (BS)

100 Maiden Lane
New York, New York 10038
(212) 504-6000

Attorneys for US Magnesium LLC

THE STATE OF UTAH

By: /s/ John B. Maycock
John B. Maycock (JM-)
Assistant Attorney General

1594 West North Temple #300
Salt Lake City, Utah 84116
(801) 538-7227

APPROVED AND SO ORDERED:

/s/ Robert E. Gerber 6/17/2002
United States Bankruptcy Judge